

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 LIMA 003555

SIPDIS

E.O. 12958: N/A

TAGS: [PGOV](#) [PINR](#) [ECON](#) [SCUL](#) [PE](#)

SUBJECT: NAMING OF KUCZYNSKI CABINET CALMS POLITICAL  
TURBULENCE

REF: A. LIMA 3549

[1](#)B. LIMA 3548

[1](#)C. LIMA 3489

[1](#)D. LIMA 3476

[1](#)1. SUMMARY: President Alejandro Toledo's 8/16 swearing-in of a new Cabinet, headed by Prime Minister Pedro Pablo Kuczynski (PPK), received a warm welcome from politicians across the political spectrum, the business sector and the media; calmed the recent political turbulence; and should not/not face difficulties obtaining the required congressional ratification. In fashioning his new Cabinet, Toledo opted for continuity in economic, social and foreign policy by promoting experienced technocrats from within the relevant ministries, while satisfying the patronage demands of his Peru Posible (PP) party by selecting party militants for the Defense and Interior portfolios. Bios of the new ministers of Interior, Housing, and Justice and Finance will follow septels; bios of the other new ministers have been sent in Ref B. END SUMMARY.

[1](#)2. While PPK reportedly was not Toledo's first choice as Prime Minister (PP legislator and former Congress President Henry Pease reportedly was sounded out but discarded when he insisted on naming his own slate of ministers) but he has proved to be an immensely popular choice. The principal political figures have saluted his management of the economy, crediting him with primary responsibility for the GOP's record of sustained growth, while also recognizing his personal qualities. Opposition Unidad Nacional alliance leader Lourdes Flores praised his "moral and political solvency;" National Solidarity party Secretary General Marco Parra predicted that PPK would bring, "tranquility to the economic sector in this electoral year;" and opposition APRA party Co-Secretary Generals Jorge del Castillo and Mauricio Mulder spoke favorably of PPK's prior service as Finance Minister, although they did not/not commit their party's support for his Cabinet's ratification. Even outgoing Foreign Minister Fernando Olivera, whose short-lived appointment sparked ex-Prime Minister Carlos Ferrero's resignation and the resultant political crisis, openly backed PPK's appointment, attending the Cabinet swearing-in ceremony and paying a courtesy call on the new Prime Minister at his residence.

[1](#)3. The only sour notes came from the left, with labor leaders lamenting that PPK would maintain the GOP's economic policies. Mario Huaman, President of Peru's largest labor central, the CGTP, complained that, "with this designation the country does not gain, only the political right wing and the business class win." Caridad Montes, the Secretary General of the SUTEP teachers union, which is controlled by the Communist Party of Peru-Patria Roja, echoed this, stating that the new Cabinet is, "more of the same." Business leaders, on the other hand, were effusive with their praise, with Jose Miguel Morales, President of the most important business association, CONFIEP, and Luis Vega, head of the exporters' association ADEX, enthusiastically proclaiming the positive effects that PPK's appointment will have on economic confidence and stability.

[1](#)4. President Toledo took care during his presentation of the new Cabinet to attempt to mend the wounds and hurt feelings engendered by the previous week's political crisis. Toledo gave Olivera an affectionate head-hug before the swearing-in ceremony and referred to him during his speech as a "friend and partner." The President also recognized the contributions of former Prime Minister Ferrero and ex-Housing Minister Carlos Bruce, neither of whom chose to attend the event.

[1](#)5. PPK, in his initial press interviews, emphasized that his priorities are maintaining the positive course on economic and financial policy, overseeing transparent elections, and turning over "a house in order" to the next government in July 2006. He also stressed his intent to work with political leaders to achieve these objectives, noting that he had spoken with opposition leaders Lourdes Flores and Alan Garcia (APRA) on 8/15, to inform them of his pending appointment and obtain their views.

[1](#)5. COMMENT: The Kuczynski Cabinet has something for everyone. There is continuity in the GOP's economic, social and foreign policies with PPK as Prime Minister; the new

ministers of Finance, Justice, Foreign Affairs and Housing all being technocrats promoted from within; while the former ministers of Health, Labor, Transportation/Communications, Production, Foreign Trade, Energy & Mines, Agriculture, Womens Affairs and Education remain at their posts. There is also increased participation by the "Hard Wing" of the President's Peru Posible party, with the appointments of Romulo Pizarro and Marciano Rengifo at the Interior and Defense Ministries. Additionally, PPK, who personally is close to Olivera, seems to have helped smoothe over the bad blood resulting from the latter's preemptory ouster as Foreign Minister, thereby preserving the Peru Posible - Independent Moralizing Front coalition. The new Cabinet should not/not face difficulties in obtaining Congress' approval (required within 90 days); the opposition APRA party may withhold its support, but it almost certainly will not/not try to block the ratification, particularly as APRA leader Alan Garcia was publicly engaged in a political flirtation with Kuczynski a mere week ago. END COMMENT.  
STRUBLE